



# CDD, HOA

and other terms you need to know when buying a home.



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# Introduction

When buying a home, there are many terms that you come across, thinking, “what in the world does that mean?!”

We’ve found a few acronyms that will be beneficial for you to understand before it comes time to sign the dotted line on your new home.

This eBook will help you become aware of, know and understand important terms like CDD, HOA, EFBD, MSBU and MSTU—all things you might find on your property tax bill, thus being a part of your monthly mortgage payment.

Finding out just where your money is going when paying for your new home is important in really “owning” your home.

# CHAPTER ONE

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HOA

An HOA is probably one of the most well known terms when it comes to buying a new home. While you might have a general idea of what it is, there might be some things about HOAs that you don't know.

An HOA, or Home Owners Association, is the governing body of the development or complex in which you purchase your home. Many times membership is mandatory and so are the fees associated with it. These fees are usually paid separate from your monthly mortgage.

With your HOA fees, the money can be spent on things like

- Maintenance and repairs to common areas
- Landscaping
- Insurance
- Administrative work

Remember, with a Home Owners Association there are usually also rules set forth for your community. If you break rules within the community that are in violation of the HOA, a variety of things can happen from fines being issued to you, privileges to community areas (such as the community pool if there is one) being revoked and even liens being placed on your property.

# CHAPTER TWO

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**CDD**



CDD stands for Community Development District and involves an additional fee levied by the developer of a neighborhood to finance the cost of the amenities within the neighborhood.

Unlike HOA fees that are paid for by you outside of your monthly mortgage payment, CDD fees are collected annually and are incorporated into your property tax bill. This means it is a fee that is incorporated into your monthly mortgage (rather than something separate you will need to pay).

When comparing homes and communities it is important to know what all is included and the additional costs associated with those beautiful amenities in the community.

# CHAPTER THREE

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**EFBD**



As you can imagine, building new schools is very costly. As new communities/developments are being considered in an area, school boards may work with developers to establish alternative means for keeping up with growth and creating new student stations in the proposed community.

An EFBD, also known as an Educational Facilities Benefit District, is set up to assist in financing the construction and maintenance of these educational facilities.

What this means in actuality, is that houses built in such a district will have extra fees added in, that the eventual homeowner will pay through the taxes paid in their monthly mortgage payment.

An example of such a district is Bellalago, located in Kissimmee, Florida. Within the community of Bellalago, Bellalago Academy, a charter school, was built using an EFBD.



# CHAPTER FOUR

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**MSBU**

An MSBU, or Municipal Service Benefit Unit, is a legal financing method wherein a county establishes a special district to allow a group of citizens to fund a desired improvement by majority consensus (51%) of the approval of the property owners in the assessment area. The assessment boundary is determined by the properties that will derive a benefit from the improvements and is called the "benefit unit".

This benefit unit provides funding for an essential improvement and the homeowners in this benefit unit will share in the benefit and cost of that improvement.

Some examples of such improvements are:

- Street lighting
- Construction projects
- Drainage or waterway dredging
- Road paving or repaving

This process allows the property owner(s) to finance the amount of the assessment over a period of time depending on the project cost and type of improvements. The assessment will appear annually on the property tax bill as a non-ad valorem tax, thus being paid back in your monthly mortgage payment.

# CHAPTER FIVE

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**MSTU**

An MSTU, or Municipal Service Taxing Unit, is another funding method created for community members to create, through Board approval, a special taxing district to make improvements to their neighborhood or community area.

It is very similar to an MSBU (see chapter 5), the only difference is the source of the revenue used to pay for these improvements or services.

Revenue for improvements made through an MSBU come from a non-ad (or non-value) valorem assessments while revenue for improvements made through an MSTU come from ad valorem (value) taxes.

MSBU and MSTU fees are not something many potential homeowners are going to hear about when searching for their new home, but being aware of what these terms are and mean can give you the one up when buying your home.

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